

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 380 - HB 416

March 25, 2015

SUMMARY OF BILL: Defines telephone companies that elect market regulation and telephone cooperative properties as industrial or commercial properties for the purpose of tax assessment. Eliminates ad valorem tax reduction fund.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$10,525,000/General Fund

Decrease State Revenue – Exceeds \$10,525,000/Ad Valorem Tax Reduction Fund

Decrease Local Revenue - \$16,250,000

Assumptions:

- The current rate of property tax on real and personal property of telephone companies and cooperatives is 55 percent.
- Under the provisions of this bill, the tax rate will be set at 40 percent on real property, and 30 percent on personal property.
- The Comptroller of the Treasury reports that this will lead to a recurring reduction in local property tax revenue of approximately \$16,250,000.
- The Comptroller of the Treasury also indicates at least \$125,000 in current administrative funding allocated to the Office of State Assessments will shift from the Ad Valorem Tax Fund to the state General Fund.
- According to the Department of Revenue (DOR), in FY13-14, \$10,436,723 from the tax imposed on interstate or international telecommunications services sold to businesses was apportioned to the Ad Valorem Tax Reduction Fund. DOR confirms that under the provisions of this bill, this revenue will be apportioned to the state General Fund. As a result, a recurring shift of funding from the Ad Valorem Tax Reduction Fund to the state General Fund estimated to exceed \$10,400,000.
- The total recurring decrease to the Ad Valorem Tax Reduction Fund, and the total recurring increase to the state General Fund, is estimated to exceed \$10,525,000 (\$10,400,000 + \$125,000).

CERTIFICATION:

SB 380 - HB 416

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive style with a large, stylized "J" and "S".

Jeffrey L. Spalding, Executive Director

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